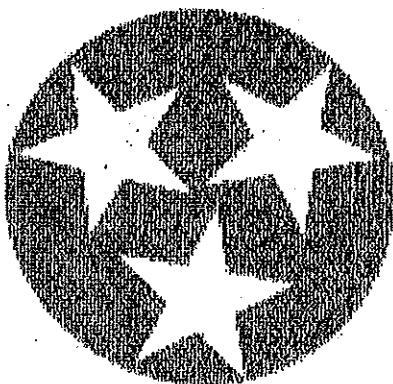


Fiscal Accountability Review (FAR)



**Department of Finance and Administration
Division of Intellectual Disabilities Services
Office of Internal Audit**

INTRODUCTION

The Office of Internal Audit reports to the Assistant Commissioner of Administrative Services and is functionally divided into the Investigative and the Fiscal Accountability Review (FAR) units.

The FAR unit conducts monitoring on a statewide basis and is guided in this endeavor by:

- a) DIDS Policy P-017 Financial Accountability Review (copy provided)
- b) DIDS Procedure Manual, which can be viewed at the DIDS website, under the "For Providers" link.
- c) The Provider and/or Grant Agreement(s) in effect with the agency.

PROCESS OVERVIEW

Scheduling of Reviews

When agency billing exceeds \$300,000/year, you will be contacted and a review scheduled. Agencies are contacted a minimum of two (2) weeks prior to proposed review date, with one to two month's notice preferred. As much as possible, review schedules accommodate the needs of the agency and the reviewer.

Once the review is scheduled, a Confirmation letter is prepared and emailed to the agency which confirms the agreements to be reviewed and the dates agreed upon. This letter also contains a List of Items Needed prior to, and during, the review.

Elements Tested

Service Provision

The objective is to test whether the provider's billings and payments are supported by the agency's documentation of provided services.

When billed units are not adequately supported, questioned costs are cited (rate/unit multiplied by number/units not supported).

Sample size and selection criteria are established in the FAR policy.

Generally, documentation should be legible, pertain to the services, complete, accurate, and be signed rather than initialed. Start/Stop times should also be indicated so hours, shifts and time frames can be established.

Allowable Costs/Cost Principles

This involves a review of agency business practices and do they conform to generally accepted accounting principals.

When agency billing exceeds \$500,000/year then an Independent Financial audit is required.

DIDS Provider Manual, Chapter 20.7.a. Independent Audit states:

"Providers receiving \$500,000 in aggregate state and federal funds must conduct an independent audit of the organization..."

If a report from a independent audit completed within the past twelve (12) months is not available, this is cited as a finding.

Board Minutes

This consists of a review of the agency's minutes of the meetings of the board of directors include any items pertinent to their relationship with DIDS.

Title VI

The objective of this test is to provide assurance that policies and actions taken by the agency do not exclude any person from employment or participation in the program based on the grounds of race, color, or national origin. Test elements include verification of display of the Title VI Poster, submission of the Title VI Self-Survey, the designation of an agency Title VI Coordinator, and whether or not any complaints were filed.

Special Tests and Provisions

The objective here is to identify and then test for agency/program specific requirement(s). Common test elements include:

Public Accountability: verify Public Accountability poster displayed

Subcontracting: if the agency has subcontractors (not employees) then approval of same from DIDS Central Office is verified

Personal Funds: review the most recent the Quality Assurance (QA) Survey of the agency. If the score in Domain 10 is less than "4" then the FAR reviewer conducts a follow-up inquiry to the status of all individual personal fund issues identified in the QA survey. If all of the identified issues have been resolved, this is reflected in the report.

Report Issue and Response

Once the on site portion of the review is completed, an Exit Conference is conducted with agency staff where initial findings are presented. Then the reviewer prepares and submits a draft report to the Director who finalizes and issues it to the agency.

The agency has 30 days to submit a Management Response to the report.

Once the Management Response is received, the Director will evaluate and issue a "Final Resolution" memo. This is the point where any recoupments are effected.

The FAR policy provides greater detail.



**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF MENTAL RETARDATION SERVICES
ANDREW JACKSON BUILDING, 15TH FLOOR
500 DEADERICK STREET
NASHVILLE, TN 37243**

TITLE: Financial Accountability Review Policy

POLICY #: P - 017

A. PURPOSE: This policy clarifies the process by which the Office of Internal Audit in the Division of Mental Retardation Services (DMRS) performs Fiscal Accountability Review (FAR) audits of DMRS providers and how data from audits are aggregated, analyzed, remediated, and reported.

B. APPLICABILITY: This policy applies to DMRS Office of Internal Audit staff and to other DMRS Central Office staff who are responsible for data aggregation, analysis, reporting, and remediation.

C. DEFINITIONS

1. "Fiscal Accountability Review" or "FAR" means the Fiscal Accountability Review Unit in the Office of Internal Audit in the Division of Mental Retardation Services.
2. "HCBS waiver" or "waiver" means a Home and Community Based Services waiver for persons with mental retardation that includes the following:
 - a. Home and Community Based Services Waiver for the Mentally Retarded and Developmentally Disabled (#0128.90.R2A.02) and any amendments thereto;
 - b. Home and Community Based Services Waiver for Persons with Mental Retardation (#0357.90.02) and any amendments thereto; and
 - c. Self-Determination Waiver Program (#0427.R01) and any amendments thereto.

D. DESCRIPTION OF POLICY

1. **Responsibility for Audits:** The Fiscal Accountability Review (FAR) Unit in the DMRS Office of Internal Audit is the entity responsible for conducting financial audits and evaluating compliance of providers with state and federal laws, rules, and regulations and with DMRS policies.
2. **Sampling Methodology:** During the last quarter of the calendar year, the Fiscal Accountability Review Unit shall generate a list of all DMRS service providers whose billing exceeds \$300,000 for the previous state fiscal year. All of these providers will be audited by the FAR Unit. Audit samples shall be determined in accordance with the following:

- a. If the provider's annual billing during the prior state fiscal year was \$5 million or less, a 20% random sample of service recipients served by that provider shall be reviewed. Through the use of a random number generator, a minimum of 5 service recipients and maximum of 20 service recipients shall be selected for review.
 - b. If the provider's annual billing during the prior state fiscal year exceeded \$5 million, a 10% random sample of service recipients served by that provider shall be reviewed. Through the use of a random number generator, a minimum of 20 service recipients and maximum of 40 service recipients shall be selected for review.
 - c. In addition to the random sample described above, the auditor may also perform a focused review on a separate sample of service recipients to ensure broader representation of services billed in terms of either amount or type, or to further investigate areas of concern.
3. **Review Period:** The auditor assigned to the provider will choose the 3-month period of time for which records will be reviewed. This 3-month period must be within the 12-month period corresponding to the previous state fiscal year.
 4. **Performance of Reviews:** Auditors in the DMRS Fiscal Accountability Review Unit will review the services billed by the provider for the service recipients in the sample. The audit will check for documentation to support the billing for the service (including service type, amount, frequency, duration, and authorization period) and will identify issues for potential recoupment. The auditor will submit a draft report of findings to the DMRS Director of Internal Audit, and the Director of Internal Audit will review, approve, and prepare a final report of the audit findings.
 5. **Notification of Survey Findings:** The Director of Internal Audit or designee will send the audit findings report to the provider requesting a response. Copies of this report will be provided to the TennCare Quality Review Unit, the TennCare Division of Internal Audit, the DMRS Assistant Commissioner of Community Services, the DMRS Central Office Quality Assurance Unit, the DMRS Central Office Compliance Unit, and the applicable DMRS Regional Director.
 6. **Remediation:** Upon receipt of the report, the provider has 30 days to submit a response. The response may include additional information to justify the billing in question, agree with the finding, identify strategies to improve the documentation and billing processes, or a combination of the above. The provider's response will be evaluated by the Director of Internal Audit, and a final resolution memo will be issued regarding resolution of the findings or recoupment, as applicable.

If a provider response is not received within 30 days, a reminder notice will be sent which will specify a second due date. If no response is received by the second due date, the Director of Internal Audit will initiate recoupment proceedings. If necessary, this will be accomplished by withholding money from provider payments.

At this point identified findings are "final" and entered into the database for tracking purposes.

Notification of the resolution or response will be copied to the DMRS Central Office Compliance Unit.

6. **Aggregation and Analysis of Survey Data:** The DMRS Central Office Compliance Unit will aggregate, analyze, and report the data from the survey findings to DMRS management and to the TennCare Division of Long Term Care.

E. ATTACHMENTS: Not applicable

F. **PREVIOUS POLICY:** Not applicable

G. **DATE APPROVED BY TENNCARE:** Final revision approved December 2,-2008

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H. **POLICY APPROVAL**

Joanna Demons by name
Signature of Assistant Commissioner
Office of Policy, Planning, and Consumer Services

12/3/2008
Date

Stephen H. Davis
Signature of Deputy Commissioner
Division of Mental Retardation Services

12/5/2008
Date